Chapter 1

The refuse collection service of the Urban Services Department

The Committee noted that Audit, in reviewing the efficiency of the refuse collection service of the Urban Services Department (USD)[1], had the following findings:

- during the official working hours, the USD's refuse collection teams (RCTs) were not fully engaged in collecting refuse. In 1997 and 1998, the weighted average non-productive time was about two hours per shift for the RCTs working in the day shift and about three hours per shift for the RCTs working in the evening shift;

- about 26% of the RCTs working on single refuse collection vehicle (RCV) refuse collection routes and about 28% of the RCTs working on refuse collection routes operated with a tractor and one or more trailers were surplus to requirement. Accordingly, about 18% of the RCVs and 25% of the tractors were surplus to requirement;

- the USD had not contracted out any of its refuse collection service;

- the RCVs were frequently overloaded; and

- the USD did not adhere to the 25% agreed relief ratio (i.e. the ratio between the number of relief RCVs and the size of RCV fleet) (ARR) for the provision of relief RCVs.

2. At the public hearing, **Mrs Lily YAM**, **Secretary for the Environment and Food**, made an opening statement and said that:

- the Audit Report provided important information for the Environment and Food Bureau, which had been established for less than two months, to improve the refuse collection service formerly provided by the USD;

- the task and finish habit (i.e. the RCTs left their places of work as soon as they had finished their scheduled tasks), which had existed since 1981, was abolished in November 1997;

- starting from October 1998, the USD had gradually reduced the number of refuse collection routes. Twenty-two routes were deleted at the time when the Audit Report was finalised. As at February 2000, a total of 47 routes had

[1] The Food and Environmental Hygiene Department has taken over some of the functions of the Urban Services Department with effect from 1 January 2000.

been deleted;

- the newly-established Food and Environmental Hygiene Department (FEHD) was determined to carry out reforms with a view to improving the quality and cost-effectiveness of the refuse collection service. It had accepted all of the Audit recommendations except that it was still examining the contracting out of cleansing services including refuse collection service. A timetable could not be established immediately because a substantial amount of work had to be carried out to enable the new department to move from a district-based organisation to one which was function-based. There were other considerations, for example, the need for a further reduction of the refuse collection routes to optimise cost-effectiveness and how the large number of staff members could be fully utilised;

- in March 2000, the FEHD would implement a plan of the former Regional Services Department (RSD) to contract out some cleansing services. The FEHD would require some more time to establish the timetable for contracting out the refuse collection service in Hong Kong and Kowloon Regions; and

- as the Policy Secretary responsible for the subject matter, she would closely monitor the quality of the refuse collection service and ensure that the service was cost-effective. She would also keep the Committee informed of developments.

3. The Committee noted from paragraphs 7 and 8 of the Audit Report that a significant amount of non-productive time in the RCTs had been identified as early as 1986. A review conducted at that time found that for an eight-hour shift, the average non-productive time was 1.67 hours for the day shift and 3.37 hours for the evening shift. This was considered unacceptably high by the USD's Transport Manager (Hong Kong). According to paragraph 9, the weighted average non-productive time of the RCTs was 1.64 hours for the day shift and 2.89 hours for the evening shift in 1997. The Committee were concerned about the persistently high level of non-productive time and asked:

- why no action had been taken to rectify the situation even though the problem had been identified as early as 1986;

- whether the USD had applied for funds from the Provisional Urban Council (Pro UC) to purchase new RCVs and to increase the number of RCTs during the period 1986 to 1997; and

- how the funding applications were processed.

4. The **Secretary for the Environment and Food** said that she had asked the same question about the follow-up action taken after 1986, but it was found that there was no record to show the action taken.

5. **Ms Elaine L K CHUNG**, **Deputy Secretary for Housing**[2], informed the Committee that:

- when she assumed office as Director of Urban Services in 1997, the Pro UC had an estimated deficit of $3.8 billion. Much effort had been devoted to balancing the budget. As a result, savings amounting to $1.8 billion were achieved for the period 1997 to 1999;

- the contracting out of the USD's cleansing services had been discussed. However, priorities at that time were accorded to closing the Cheung Sha Wan Abattoir and privatising the abattoir services;

- the USD welcomed the Audit Report because it served as a catalyst for taking the matter forward. A consultant was commissioned to review the contracting out of cleansing services including the refuse collection service. Further to the discussion with Audit in late 1998, the refuse collection routes were re-organised and resources were redeployed. In early 1999, all overtime work was stopped and 22 refuse collection routes were deleted; and

- regarding the application for funds to purchase new RCVs, the normal procedure was for the district staff to review the downtime rates of the existing RCVs and to estimate the number of relief RCVs required. A request would be forwarded to the USD Headquarters for consideration. The Transport Manager of the Region concerned, who was seconded from the Government Land Transport Agency, was responsible for determining the number of RCVs to be purchased, after taking into consideration the recommendations of the district staff and other relevant factors such as the age, workload and usage time of the RCVs. His proposal would then be vetted by his supervisor i.e. the Assistant Director of the Region concerned. If it was considered acceptable, the proposal would be submitted to the Pro UC for approval.

[2] Former Director of Urban Services during the period February 1997 to July 1999

6. **Mrs Rita LAU**, **Director of Food and Environmental Hygiene**[3], also said that:

- apart from the two Assistant Directors who were responsible for vetting the proposals within their respective Regions, there was another Assistant Director in the USD Headquarters who had overall responsibility for the cleansing services in both Hong Kong and Kowloon Regions;

- the Pro UC had always vetted the proposals from the USD very strictly, especially when financial resources were involved. Proposals relating to environmental hygiene would first be submitted to the Public Health Select Committee for consideration. Its recommendations would then be passed to the Finance Select Committee for approval;

- in applying for funding for the purchase of new RCVs, the conditions of existing RCVs had to be assessed by professionals and accompanying evidence supporting the applications was required. This procedure also applied to funding applications for additional RCTs. In all cases, the Pro UC was responsible for determining the policies and making the final decisions;

- in 1998, the Pro UC had instructed the USD to freeze the procurement of RCVs; and

- she would review the USD's records to ascertain the information relating to the procurement and replacement of RCVs and the increase in the number of RCTs during the period 1986 to 1997.

The **Secretary for the Environment and Food** also undertook to search the records kept by the USD and to provide the Committee with the relevant information.

7. With reference to paragraph 42 of the Audit Report, the Committee noted that in 1985, a USD working group on transport matters had, after reviewing the downtime rates of RCVs of Hong Kong Region, proposed that the ARR be revised downwards from 25% to 20% with effect from March 1985. However, the working group's proposal was not implemented. According to paragraph 43, the USD agreed in 1986 that it was reasonable to reduce the ARR from 25% to 20% for both Hong Kong and Kowloon Regions. But the USD did not reduce the size of its RCV fleet accordingly. During the audit, the ARR remained at 25%. The Committee asked why the proposal had not been implemented and whether any action had been taken since 1986 to take it forward. The Committee also asked

[3] Former Director of Urban Services during the period July to December 1999

whether the Pro UC's decision to suspend the procurement of RCVs was still effective and when the freeze would end.

8. The **Secretary for the Environment and Food** said that owing to the long lapse of time and the changes in the officers involved, it would be difficult at this stage to ascertain the reasons for not implementing the proposal. She undertook to search the relevant records to ascertain the facts. The **Director of Food and Environmental Hygiene** added that:

- the Management Services Unit (MSU) of the USD had conducted a time and motion study to review the ARR. Immediately following the completion of the study in July 1999, the ARR was revised downwards to below 20%. The duration of time required for collecting refuse was also reviewed. This had resulted in a reduction of 47 refuse collection routes since July 1999 and savings of $80 million in recurrent expenditure;

- for the past three years, the USD had not procured any RCVs. Over 20% of the RCVs were over eight years old. Despite the increase in the number of refuse collection routes arising from new residential developments and new demands for refuse collection, the present fleet was still able to maintain an acceptable level of service. This indicated that the USD had already implemented the Audit recommendations, including revising the ARR and reducing the number of refuse collection routes; and

- after the re-organisation of the provision of municipal services, the boundary between the urban and rural areas no longer existed and the new FEHD was also responsible for the refuse collection service in the New Territories. She would need to consider how the existing resources could be flexibly utilised to achieve maximum results before making any recommendations for the procurement of new RCVs to replace the old ones.

9. The **Deputy Secretary for Housing** provided the Committee with two tables (in ***Appendix 4***) which set out the latest figures in the number of refuse collection routes according to districts. She pointed out that upon Audit's recommendations, the work values of the refuse collection tasks (i.e. the time required for a qualified worker to carry out the task at a standard level of performance) had been revised. The latest figures in the tables were arrived at after taking into consideration the actual situation and the new work values. Reducing 47 refuse collection routes had resulted in annual savings amounting to $80 million and suspending the procurement of 142 RCVs had resulted in savings amounting to $170 million.

10. From the table in Annex A, the Committee noted that for the evening shift, the number of refuse collection routes in Kwun Tong had been reduced from ten in 1997-98 to four as at 17 January 2000, which was even lower than that agreed by the USD and Audit in May 1999. The Committee asked how the number could be so drastically reduced and whether this indicated that there had been over-provision in the past. The **Director of Food and Environmental Hygiene** said that the number of refuse collection routes for a particular district was worked out to achieve maximum cost-effectiveness for the service. For Kwun Tong, there were 20 refuse collection routes for the day shift and four for the evening shift. By comparison, the reduction for the day shift was less significant and the number was actually higher than that agreed with Audit. These numbers were determined according to the pattern of demand in the district and would be adjusted according to prevailing circumstances.

11. In her subsequent letter of 15 March 2000 in ***Appendix 5***, the **Secretary for the Environment and Food** informed the Committee that:

- Transport Manager (Hong Kong) carried out a study on the control of refuse and cleansing vehicle operations from January to May 1986. Based on the findings of the study (in Enclosure 1), the Transport Manager concluded that the RCVs had substantial spare capacity. However, he also pointed out in his report that the trials conducted in the study had a number of limitations;

- on receiving the Transport Manager's report, the USD set up a Working Party to improve the utilisation of vehicles and to reduce the size of the vehicle fleet. The Working Party agreed in principle to a reduction of the ARR for the RCVs from 25% to 20%. However, in his response to a separate report produced by the then Finance Branch of the Government Secretariat in July 1986 on vehicle maintenance, the same Transport Manager observed that there was a shortage of operational vehicles "on a significant number of occasions". This could possibly explain why the ARR was not revised in 1986. However, the Administration could not trace any documents to this effect; and

- it could be seen, from the table which set out the provision of RCVs and RCTs from 1986 to 1998 (in Enclosure 4), that the number of RCVs had dropped in 1998 despite an increase in the number of RCTs by 10% to meet the demand for refuse collection service arising from new housing developments. This was partly due to the efforts made by the USD to optimise the use of RCVs by operating night shifts and through the rescheduling of refuse collection routes.

12. The Committee were concerned as to whether the failure to follow up the various

issues raised since the mid-1980s was due to the huge establishment of the USD, which had resulted in a situation where the lines of accountability were unclear and the views of the front-line staff could not be properly channelled upwards to enable the management to make informed policy decisions. In reply to the Committee's question about the organisation structure of the USD and how decisions were made, the **Deputy Secretary for Housing** said that:

- during her term of office, an officer of the Health Inspector rank was responsible for drawing up the refuse collection routes by making reference to the prevailing work values. His plan would be endorsed by the Chief Health Inspector and tested out in the districts concerned. If the routings were found to be acceptable, they would be submitted to the Assistant Director for approval and would be implemented accordingly;

- in addition to the two Assistant Directors who were responsible for the provision of services in their respective Regions and the Assistant Director who was responsible for co-ordinating the cleansing services, the USD also had a Deputy Director who was responsible for environmental hygiene. The Director of Urban Services oversaw management of the department; and

- the USD was a huge organisation and powers had to be delegated. The Director had to rely on front-line staff to provide her with information on any problems detected in the operation of the RCTs. At the same time, the supervisors were duty-bound to monitor the work of their subordinates and were empowered to adjust their work schedules if necessary.

13. The **Secretary for the Environment and Food** also said that:

- the USD had a large number of employees providing a wide range of public services. However, the management was ultimately responsible for overseeing the provision of the services; and

- a re-organisation of the department would be implemented in due course. Though there was some concern about this exercise, the management was determined to address the problems which had surfaced previously. It was hoped that solutions to these problems would eventually be identified.

14. At the request of the Committee, the **Secretary for the Environment and Food**

provided in Enclosure 7 of her letter dated 15 March 2000 in ***Appendix 5*** copies of the organisation charts of the USD and the relevant job descriptions of the different ranks as at 1 August 1986 and 1 August 1998.

15. From paragraph 21 of the Audit Report, the Committee noted that most of the work values determined in 1985 were no longer applicable and staff of the USD's Environmental Hygiene Section in districts determined their work values arbitrarily when planning refuse collection routes. The Committee also noted that although the MSU had been requested repeatedly to revise the work values in 1995 and 1997, up to October 1998, the work values had not been revised. The Committee were concerned that the work values were outdated and were arbitrarily determined by staff members in the districts. The Committee asked why:

- despite repeated requests to the MSU, the work values had not been revised; and

- the number of refuse collection routes had not been reduced according to the recommendation in paragraph 15 of the Audit Report i.e. reducing a total of 62 routes.

16. The **Deputy Secretary for Housing** said that:

- when she assumed office in 1997, she had asked the MSU to revise the work values. However, the MSU was asked at the same time to review other subject matters which had been accorded a higher priority. These included the contracting out of the library services, the management of clerical staff seconded to the USD, the contracting out of the street cleansing service and the implementation of the electronic filing system;

- as the MSU was only a small unit with nine staff members, it had to conduct its work according to priority; and

- the USD started to revise the work values in 1998 and completed the task in early 1999. It was based on the new work values that 47 refuse collection routes were eventually deleted.

17. The **Director of Food and Environmental Hygiene** also said that:

- the recommendations of the time and motion studies conducted by the MSU were implemented from August 1999 onwards. Based on the revised work values, the USD was able to increase the productivity of various refuse collection routes by 14% to 32%; and

- as regards the reduction of refuse collection routes, it was agreed with Audit after the completion of the Audit Report that the number of routes should be set at 180. As a result, 47 routes were deleted.

18. **Mr Dominic CHAN Yin-tat**, **Director of Audit**, said that Audit had originally proposed to delete 62 routes, having had regard to the overtime work performed by USD staff. As the amount of overtime had subsequently been reduced, Audit was agreeable to reducing the number of refuse collection routes by 47.

19. The Committee noted that in paragraph 49(f) of the Audit Report, the Director of Urban Services had stated that overtime should be the exception and not the norm when planning work schedules. Having regard to the practice in the private sector whereby workers were often required to work overtime, the Committee asked why overtime should be regarded as the exception in the public sector. The **Director of Food and Environmental Hygiene** said that:

- in planning the work schedules, the Administration had to take into account all relevant factors such as the terms and conditions of service, the number of conditioned hours of work and the arrangement of shifts. The present policy was to maximise departmental resources by requiring staff members to work within their normal working hours as far as possible. Overtime work would be required only if there was an operational need; and

- for some services, overtime work was inevitable, especially when dealing with contingencies. Refuse collection was one such example. As there were seasonal fluctuations, the staff members concerned were required to work overtime. The present policy was to compensate them in the form of time off in lieu. Owing to financial constraints, overtime allowance would only be paid if time off in lieu could not be arranged within a month.

20. At the request of the Committee, the **Secretary for the Environment and Food**

submitted a table setting out the various recommendations put forward by the MSU on environmental hygiene services from 1995 to 1998 and the progress made. The relevant table is in Enclosure of 8 of her letter dated 15 March 2000 in ***Appendix 5***. The Secretary also informed the Committee that:

- between 1995 and 1998, the MSU had completed 16 studies. These included contracting out of street cleansing services and a review of the organisation of the hawker control teams; and

- due to competing demands and priorities, the MSU had not been able to study the refuse collection service until 1999. Following the completion of its time and motion studies on refuse collection in 1999, new work values were adopted in late 1999.

21. The Committee noted from paragraph 50(f) of the Audit Report that the USD had commissioned a consultant for six months to undertake a fundamental and comprehensive review of the department's cleansing services including refuse collection service. Considering that the USD should have the knowledge and expertise to conduct the review itself, the Committee asked:

- why the consultancy was commissioned;

- whether the Pro UC was involved in making the decision; and

- whether the MSU had been involved in the exercise.

The Committee also asked whether the Pro UC had been informed of the outcome of the consultancy and whether the recommendations of the report had been implemented.

22. The **Deputy Secretary for Housing** said that:

- the consultancy was undertaken by a retired senior officer of the USD at a reasonable cost. At the end of 1998, staff members of the USD were fully occupied and there was no surplus staff within the USD to conduct the study. It was therefore hoped that by commissioning the consultancy, the review on the cleansing services could be carried out within a short period of time;

- the proposal to commission the consultancy was first endorsed by the Public

Health Select Committee and later by the full Pro UC;

- the MSU had worked closely with the consultant in conducting the study. However, there was no duplication in their work; and

- the study was completed in early 1999. One of the recommendations made in the report was to contract out the refuse collection service. However, the recommendations of the report had not been implemented.

23. The **Director of Food and Environmental Hygiene** also said that:

- the decision to commission the consultancy was made by her predecessor who considered this to be the best approach for taking the matter forward. As this had been approved by the Pro UC, it was not for her to comment on the appropriateness of the approach taken nor on the qualification of the consultant;

- when she assumed office in mid-1999, she found that the scope of the review was not comprehensive enough and the quality of the report was not satisfactory. As its recommendations would effect major changes to the existing policies of the USD and had far-reaching financial implications, it was decided that the report should be further studied before it was submitted to the Pro UC. The recommendations were therefore not implemented;

- furthermore, at that time, the bill on the Re-organisation of the Provision of the Municipal Services had been submitted to the Legislative Council. Any major policy changes such as the contracting out of the USD's cleansing services would warrant a cautious approach. Furthermore, there were other issues at that time which had to be dealt with. The implementation of the recommendations in the report was therefore not a high priority item; and

- during her term of office as the Director of Urban Services, she was still studying the report and had to vet it thoroughly so as to prepare a detailed progress report to the Pro UC. Hence, it was not true that she had intended not to submit the report to the Pro UC.

24. On the same question, the **Secretary for the Environment and Food** said that:

- the commissioning of the consultancy was probably the result of the audit on the USD's refuse collection service. Funding was approved by the Pro UC to carry out the study with a view to improving the efficiency of the service and assessing the option of contracting out the service. All this happened in late 1998 and early 1999, which was one year away from the proposed re-organisation of the municipal services;

- when the Director of Food and Environmental Hygiene assumed the post of Director of Urban Services at the end of July 1999, the proposed re-organisation was less than six months away. At that time, the Director of Urban Services, in consultation with the Finance Bureau and the Civil Service Bureau, came to the view that the consultancy report, which made recommendations on the delivery of services in future, was not sufficiently comprehensive to enable the USD to initiate any major policy changes;

- irrespective of the usefulness of the report, the Administration had to have regard to the impending re-organisation. The Director and Deputy Director of Urban Services were involved in this exercise and hence were not in a position to explain to the Pro UC how the re-organisation was to proceed; and

- it should be noted that among all of the Audit recommendations, the contracting out of the refuse collection service was the only item outstanding and a timetable had yet to be drawn up.

25. The Committee were concerned about the conflicting roles of the then Director of Urban Services and the difficult situation in which she was placed in the re-organisation exercise. The Committee asked:

- whether the Director of Urban Services was accountable to the Special Administrative Region (SAR) Government or to the Pro UC; and

- whether the Director of Urban Services had been given so much power that she could bypass the Pro UC and withhold the consultancy report.

26. The **Director of Food and Environmental Hygiene** replied that:

- the Director of Urban Services had to be accountable to both the SAR Government and the Pro UC. As the Director of Urban Services, she was the ultimate person responsible for the work of the USD;

- she could not accept the proposition that her power was so great that she could withhold the report from the Pro UC. The fact was that before submitting the consultancy report to the Pro UC, she had to ensure that the recommendations of the report were comprehensive and sound and that she would be in a position to answer any questions raised by the Pro UC Members. However, she was not satisfied that the report had covered such areas as human resources, financial resources and the actual implementation of services. As the report was not comprehensive enough to enable the USD to initiate any major policy changes, she therefore considered that it was not ready for submission to the Pro UC for approval;

- in fact, the Pro UC and the USD had worked as partners. The USD acted according to instructions given by the Pro UC and was expected to put forth mature and considered recommendations/proposals with sound justifications. The Pro UC made the final decisions. During the process, the Pro UC could ask for progress reports on various subjects. Had it asked for the consultancy report then, the USD would have submitted it. However, no Member had asked about the progress of the study and the matter had not been included as an item in the agenda of the relevant Select Committee; and

- if the Pro UC were still in existence, she would still be responsible for implementing the recommendations of the report and for executing the Council's policies. Hence, her assessment of the report had not been affected by the re-organisation exercise. It was made in the light of the recommendations therein.

27. The **Secretary for the Environment and Food** reiterated that it was not the case that the Director of Food and Environmental Hygiene had deliberately not acted on the report during her term of office as the Director of Urban Services. The question was whether at that time the Director of Urban Services had the time to polish the report before submitting it to the Pro UC. However, she understood the concern of the Committee and undertook to review the relevant files and to provide the Committee with further information on the consultancy study.

28. In her letter of 15 March 2000 in ***Appendix 5***, the **Secretary for the**

Environment and Food provided the Committee with the following information on the consultancy study:

- the scope of the study was set out in Enclosure 9 of the letter;

- the cost involved was $458,910;

- a retired Senior Superintendent of Environmental Health was appointed to carry out the study. During his more than 30 years of service with the USD, he had acquired considerable knowledge and experience in cleansing services, front-line operations and general and staff management;

- the focus of the consultant's study was to improve the overall cleanliness of the urban area and to ensure cost-effective delivery of cleansing services. The MSU's time and motion studies were mainly concerned with details of street cleansing and refuse collection operations. The MSU carried out its studies having regard to the input from the consultant. It also provided the consultant with its findings. In view of the heavy commitments at the time, it was not possible for the MSU to examine and comment on the findings in the consultant's study;

- although the consultant submitted his report to the then Director of Urban Services in July 1999, the MSU's time and motion studies, which formed part of the overall review of cleansing services, were not finalised until mid-October 1999. On receiving the consultant's report, the then Deputy Director (Environmental Health) convened a meeting to examine its findings. Initial assessment of the report revealed that its recommendations, particularly those on contracting out the refuse collection service and a review of the grade, had far-reaching staffing and resource implications. These implications would have to be carefully studied in the light of the impending major structural change of the department. At the same time, the re-organisation of municipal services had already reached a very advanced stage. It was considered that it would not be appropriate to make recommendations to the Pro UC on a study whose findings would have to be reviewed in the light of a re-organisation which was expected to take effect in about two months; and

- the FEHD would take account of the study's recommendations in its review of cleansing and refuse collection services.

29. With reference to paragraphs 31 to 36 of the Audit Report, the Committee noted

that as early as in 1986, the then UC, having been informed that there could be possible savings of 30% if the refuse collection service was contracted out, endorsed the USD's proposal that the option was worth exploring. However, the USD stated in a paper in 1988 that it was prudent not to venture into large-scale privatisation schemes (such as street sweeping and refuse collection) which would lead to staff redundancy. In 1994, it was estimated that $15 million (i.e. 50% of the USD's associated operating costs) could be saved if 19 refuse collection routes were contracted out. However, the plan was shelved pending the results of the RSD's review on the contracting out of the refuse collection service. In 1998, the Director of Urban Services pointed out that Members of the Pro UC were generally opposed to the collection of refuse by contractors because there was a scarcity of cleansing companies operating in the UC areas. Against this background, the Committee asked:

- whether the concern about staff redundancy was the main reason for not taking forward the proposal to contract out the refuse collection service and whether there were other constraints;

- whether the 50% savings could still be achieved if the proposal were to be implemented in the near future; and

- how the matter would be taken forward.

30. The **Director of Food and Environmental Hygiene** said that:

- the Administration had not given up the option of contracting out the refuse collection service. Though this had not been implemented in the urban areas, about 30% of the refuse collection service in the New Territories had been contracted out;

- the following services had also been contracted out:

  (i) the repair and maintenance of the RCVs since 1991. In 1999, a contract was signed to contract out the maintenance of one-third of the RCVs;

  (ii) 30% of the street cleansing service; and

  (iii) 100% of the cleansing of markets and public toilets;

- the new FEHD had to conduct an overall review of the services for Hong

Kong, Kowloon and the New Territories. Reference would be made to the experience in the New Territories before a comprehensive strategy could be drawn up for the whole territory;

- in order to make the option viable, the cleansing companies concerned had to be given some lead time to arrange for the delivery of service such as procuring RCVs and recruiting suitable staff;

- consideration had to be given to the deployment of staff following the contracting out of the refuse collection service. The objectives were to retain flexibility for staff deployment and to avoid staff redundancy as far as possible. Consultation with the staff side would be necessary and the timing was critical; and

- she agreed that the direction ahead was to contract out the refuse collection service. However, it was not simply a matter of achieving savings. Careful consideration had to be given to all relevant factors before a timetable could be drawn up. The ultimate objective was to provide value-added service while retaining its quality.

31. The **Secretary for the Environment and Food** also said that:

- it had to be ascertained whether the 1994 estimate, i.e. to achieve a saving of 50%, was still valid in the present-day circumstances. The major considerations in taking forward any proposal to contract out the refuse collection service were cost-effectiveness and service quality. Staff reaction would not be the sole consideration, though it was an important one; and

- as the FEHD was still in the early stages of establishment, it would take some time to initiate changes in areas including supervision and management systems. Any changes would have an impact on staff who had been put under a lot of stress because of recent developments in the re-organisation exercise. As these people were providing front-line service to the public, the Administration had a responsibility to maintain staff morale and stability. Hence, it would be advisable to take into account all relevant factors including staff reaction and not to make any hasty decisions.

32. Having regard to the difficulties experienced by the RSD in transferring some of

its staff to the civil service upon the contracting out of its refuse collection service, the Committee asked whether the FEHD had foreseen any similar problems. The **Director of Food and Environmental Hygiene** said that:

- the RCTs were composed of staff members who belonged to different grades. There was a problem with RCV drivers because they belonged to the grade of special drivers and accounted for 50% of the total number of special drivers employed by the Government. That was why a cautious approach would be desirable; and

- the Finance Bureau and the Civil Service Bureau had given the department full support. More resources would be made available if necessary.

33. As regards the redeployment of the staff members resulting from the reduction of 47 refuse collection routes, the **Secretary for the Environment and Food** informed the Committee in her letter of 15 March 2000 in ***Appendix 5*** that all 115 surplus staff, including 47 special drivers and 68 loaders, had been redeployed to take up other duties such as street washing or to fill existing vacancies in the FEHD. In her letter of 27 March 2000 in ***Appendix 6***, the Secretary also provided the Committee with a detailed breakdown of the posts which the 115 surplus staff members had taken up in the redeployment exercise.

34. The Committee noted Audit's observation in paragraph 38 of the Audit Report that the USD's RCVs were frequently overloaded. According to the records checked by Audit on two occasions, about 20% of the RCVs were overloaded and in more than 15% of these overloading cases, the weight of the refuse exceeded the maximum capacity of the RCVs by more than 20%. The Committee were concerned about the situation and the fact that a government department had knowingly contravened the law. The Committee asked whether any prosecutions had been taken against the RCVs which were overloaded and whether any action had been taken to address the overloading problem.

35. The **Deputy Secretary for Housing** said that:

- the USD was aware of the overloading problem and had issued clear instructions to its staff not to overload the RCVs;

- the USD also conducted a trial scheme in February 1998 to install an on-board weighing device on the RCVs. However, there were several drawbacks:
  (i) the device could only be installed in old vehicles at a very high cost

i.e. between $69,000 to $75,000 per vehicle;

(ii) it was not user-friendly as the instructions were in English;

(iii) an additional staff member had to be deployed to operate it; and

(iv) it could only measure the weight of refuse at the refuse collection point; and

- it was therefore decided that the device would only be installed in those RCVs which were suspected of overloading. The RCTs concerned would be warned if overloading was detected.

36. On remedial measures taken by the FEHD, the **Director of Food and Environmental Hygiene** said that the weighing device was still in use. In addition, the weight of the refuse dumped into the RCVs was being assessed by counting the number of refuse bins and bags. The RCVs were weighed before and after they had disposed of the refuse at the disposal sites. Guidelines had also been issued to the RCTs.

37. The **Secretary for the Environment and Food** informed the Committee in her letter of 15 March 2000 in ***Appendix 5*** that there was one prosecution against an overloading RCV in January 1997 and the defendant was acquitted.

38. **Conclusions and recommendations** The Committee:

Excess capacity of RCTs

- express grave concern that for the refuse collection routes operated with a single refuse collection vehicle (RCV), 26% of the refuse collection teams (RCTs) and 18% of the RCVs were surplus to requirement, and for the refuse collection routes operated with a tractor and one or more trailers, 28% of the RCTs and 25% of the RCVs were surplus to requirement;

- express astonishment that the Urban Services Department (USD) was able to delete 47 RCTs and stop purchasing 142 RCVs, thus achieving savings of annual recurrent costs amounting to $80 million and capital costs amounting to $170 million respectively, upon the implementation of the Audit recommendations;

- express dismay that, in spite of the concern expressed by the USD's Transport Manager (Hong Kong) in 1986 that the non-productive time of the RCTs was unacceptably high and many RCVs had substantial excess capacity, the USD had not implemented any effective measures to reduce the non-productive time of the RCTs and the excess capacity of the RCVs;

- express serious dissatisfaction and disappointment that the USD had failed to stem the task and finish practice until November 1997 and that the USD had not fully taken into account the following changes to monitor the work of its RCTs:

  (i) the refuse yield;

  (ii) the modus operandi of refuse collection;

  (iii) the types of RCVs deployed;

  (iv) the design and quality of refuse bins, and the refuse contents;

  (v) the speed limit, the road network and the traffic condition; and

  (vi) the location of the disposal sites;

- note that the Provisional Urban Council (Pro UC), based on Audit's findings, had conducted its own inquiry into the refuse collection service provided by the USD;

- note that the USD had:

  (i) frozen the procurement of RCVs until the excess capacity of its RCVs was fully utilised;

  (ii) re-examined the work values of refuse collection tasks for planning refuse collection routes;

  (iii) revised the refuse collection routes to rectify the situation of over-estimating the workload of the RCTs;

  (iv) rearranged the refuse collection routes to minimise the balance time of the RCTs; and

(v) installed vehicle monitoring devices on eleven RCVs for trial;

- note that the Food and Environmental Hygiene Department (FEHD) will:

  (i) monitor the weight of refuse collected and revise the refuse collection route schedules regularly; and

  (ii) continue to explore modern equipment available for monitoring effectively the operation of its RCVs;

- urge the FEHD to closely monitor:

  (i) the work of its RCTs to ensure that no excess capacity exists; and

  (ii) the remedial measures taken by the USD and to assess whether they are effective;

Contracting out of the refuse collection service

- express serious dismay that, although the USD had been aware for a long time of the significant non-productive time of the RCTs and had recognised as early as 1986 that contracting out the refuse collection service would bring about substantial cost savings, it had not contracted out any of its refuse collection service while the Regional Services Department (RSD) had been contracting out part of its refuse collection service since 1993 with proven satisfactory results;

- note that the FEHD:

  (i) is studying the feasibility of contracting out its refuse collection service in the Hong Kong and Kowloon Regions with reference to the experience of the former RSD; and

  (ii) has stopped recruiting permanent Workmen II;

- urge the FEHD to:

  (i) speed up its action in contracting out its refuse collection service; and

  (ii) plan ahead and liaise closely with the Secretary for the Civil Service, so as to reduce the lead time for transferring surplus staff back to the civil

service;

- urge the Secretary for the Civil Service to provide support and assistance to the FEHD to ensure that it can manage its workforce with maximum flexibility;

- wish to be kept informed of the progress made by the FEHD in contracting out its refuse collection service;

Overloading of RCVs

- express serious concern that RCVs were frequently overloaded;

- express astonishment that only one prosecution had been taken against the RCVs which were overloaded and even this prosecution was unsuccessful;

- note that the USD had installed six electronic on-board weighing devices on selected RCVs in a trial scheme to monitor the weight of refuse carried by the RCVs;

- urge the FEHD to take vigorous action to ensure that the RCVs will comply with the Road Traffic (Traffic Control) Regulations;

- wish to be kept informed of the results of the trial scheme to monitor the weight of refuse carried by the RCVs;

Excessive relief RCVs

- express concern that the USD did not adhere to the agreed relief ratio (ARR) for the provision of relief RCVs and, as a result, the estimated replacement cost of the resultant surplus relief RCVs as at 1 April 1998 was $8.9 million;

- note that:

  (i) ARRs which have taken into account the prevailing downtime rates for each category of RCVs have been worked out for both Hong Kong Region and Kowloon Region and that the ARRs will be reviewed annually;

  (ii) the USD has reviewed the downtime rates of RCVs for Hong Kong Region and Kowloon Region and standardised the method of calculating the downtime rates for both Regions; and

(iii) the FEHD will adhere to the ARR in providing relief RCVs;

Commissioning of the consultancy review

- note the statement made by the Director of Food and Environmental Hygiene that the consultancy report on the USD's cleansing services was not comprehensive enough to enable the USD to initiate any major changes to the existing policies; and

- express serious dismay that:

  (i) the consultancy report was shelved and that the matter had not been reported nor explained to the Pro UC, even though the Director of Food and Environmental Hygiene had expressed concern about the usefulness of the report during her term of office as Director of Urban Services; and

  (ii) both public money and time have been wasted, as the consultancy report has served no useful purpose towards finding the way forward for the refuse collection service.

The refuse collection service of the Urban Services Department